

**NORTH UTAH COUNTY  
WATER CONSERVANCY DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
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**DECEMBER 31, 2005**

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**ACCOUNTANT'S REVIEW REPORT**

Board of Directors  
North Utah County Water Conservancy District  
American Fork, UT

March 27, 2006

We have reviewed the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Utah County Water Conservancy District as of and for the year ended December 31, 2005 which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the North Utah County Water Conservancy District.

A review consists principally of inquiries of the District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 22, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have reviewed the supplementary information from information that is the representation of management, without audit. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Based on our review, we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

  
GILBERT & STEWART  
Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the North Utah County Water Conservancy District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

- As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,125,673. Fund Balances are divided as follows: \$84,772 is unreserved in the General Fund, and \$2,040,901 is unreserved in the Capital Projects Fund.
- The total net assets of \$2,572,036 are made up of \$446,363 in capital assets net of related debt and \$2,125,673 in other net assets.

### REPORTING THE DISTRICT AS A WHOLE

This discussion and analysis is intended to serve as an introduction to North Utah County Water Conservancy District's basic financial statements. North Utah County Water Conservancy District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

*The government-wide financial statements* are designed to provide readers with a broad overview of North Utah County Water Conservancy District's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of North Utah County Water Conservancy District is improving or deteriorating. However, you will also need to consider other non-financial factors.

- *The statement of activities* presents information showing how the District's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of North Utah County Water Conservancy District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. North Utah County Water Conservancy District also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only has two governmental funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund and Capital Projects Fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In this case North Utah County Water Conservancy District's assets exceed liabilities by \$2,572,036.

About 15% of the District's net assets reflect its investment in capital assets (infrastructure assets), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the District's net assets. With the first year implementation of GASB Statement 34, the District is not presenting comparable columns in the various comparisons and analyses for the prior year. In future years, this section will discuss and analyze significant differences between years.

## North Utah County Water Conservancy District's Net Assets

	Governmental Activities	
	2005	2004
Current and other assets	\$ 2,126,591	\$ 1,934,315
Capital assets	446,363	483,077
Total assets	<u>2,572,954</u>	<u>2,417,392</u>
Current liabilities	918	517
Net assets:		
Invested in capital assets, net of related debt	446,363	483,077
Unrestricted	<u>2,125,673</u>	<u>1,933,798</u>
Total net assets	<u>\$ 2,572,036</u>	<u>\$ 2,416,875</u>

## North Utah County Water Conservancy District's Changes in Net Assets

	Governmental Activities	
	2005	2004
Revenues:		
Program revenues:		
Property taxes	\$ 160,484	163,837
Unrestricted investment earnings	65,192	31,781
Total revenues	<u>225,676</u>	<u>195,618</u>
Expenses:		
General government	80,034	66,638
Increase in net assets	145,642	128,980
Net assets - beginning	<u>2,426,394</u>	<u>2,287,895</u>
Net assets - ending	<u>\$ 2,572,036</u>	<u>2,416,875</u>

## FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the District's financing requirements. As of December 31, 2005, the District's governmental funds (General & Capital Projects) reported combined fund equity of \$2,125,673. This represents an increase of \$191,875 over last year's ending balances. The General Fund is the chief operating fund of the District. All activities that are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

Property taxes continue to be the largest source of revenue in the General Fund and represent 100% of tax revenues and 98% of total general fund revenues.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund actual revenue of \$173,600 was \$15,510 less than the budgeted amount of \$189,110. Actual expenditures of \$43,320 were under budget by \$2,866.

### **CAPITAL ASSET ADMINISTRATION**

The District's investment in capital assets for its governmental activities as of December 31, 2005, amounts to \$446,363 (net of accumulated depreciation). This investment in capital assets includes infrastructure (dams, debris basins, etc.).

There was no major capital activity during the current fiscal year.

Additional information on the District's capital assets can be found in the notes to this financial report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

There are no significant factors that will affect next year's budget.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of North Utah County Water Conservancy District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the North Utah County Water Conservancy District, 75 N. Center St., American Fork, UT 84003.

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**Statement of Net Assets**  
**December 31, 2005**

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	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,120,380
Accounts Receivable, net	
Property Tax Receivable	5,273
Prepaid Expenses	938
Capital Assets (net of accumulated depreciation):	
Land	49,704
Infrastructure	<u>396,659</u>
Total Assets	<u>2,572,954</u>
 <b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	<u>918</u>
 <b>NET ASSETS</b>	
Invested in Capital Assets, net of related debt	446,363
Unrestricted	<u>2,125,673</u>
Total Net Assets	<u><u>\$ 2,572,036</u></u>

*See accompanying notes and accountant's report*



**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**Statement of Activities**  
**For the Year Ended December 31, 2005**

<u>Function/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues &amp; Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government:</b>					
Governmental Activities:					
General Government	\$ 80,034	\$ -	\$ -	\$ -	\$ (80,034)
General Revenues:					
Property Tax					160,484
Unrestricted Investment Earnings					65,192
Total General Revenues					225,676
Change in Net Assets					145,642
Net Assets - Beginning (as restated)					2,426,394
Net Assets - Ending					\$ 2,572,036

*See accompanying notes and accountant's report*

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**

**Balance Sheet  
Governmental Funds  
December 31, 2005**

	<b><u>Major Funds</u></b>		<b><u>Non-Major</u></b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 79,479	\$ 2,040,901	\$ -	\$ 2,120,380
Receivables (net):				
Property Tax	5,273	-	-	5,273
Prepaid Expenses	938	-	-	938
Total Assets	<u>\$ 85,690</u>	<u>\$ 2,040,901</u>	<u>-</u>	<u>\$ 2,126,591</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 523	\$ -	\$ -	\$ 523
Payroll Liabilities	395	-	-	395
Total Liabilities	<u>918</u>	<u>-</u>	<u>-</u>	<u>918</u>
Fund Balances:				
Unreserved, reported in:				
General Fund	84,772	-	-	84,772
Capital Projects Fund	-	2,040,901	-	2,040,901
Total Fund Balances	<u>84,772</u>	<u>2,040,901</u>	<u>-</u>	<u>2,125,673</u>
Total Liabilities and Fund Balances	<u>\$ 85,690</u>	<u>\$ 2,040,901</u>	<u>\$ -</u>	<u>\$ 2,126,591</u>

*See accompanying notes and accountant's report*

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**Balance Sheet Reconciliation to**  
**Statement of Net Assets**  
**December 31, 2005**

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Total Governmental Funds Balances	\$ 2,125,673
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>446,363</u>
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Total Net Assets of Governmental Activities	<u><u>\$ 2,572,036</u></u>
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*See accompanying notes and accountant's report*

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2005**

	<u>Major Funds</u>		<u>Non-Major</u>	Total
	General	Capital	Debt	Governmental
	Fund	Projects	Service	Funds
		Fund	Fund	
<b>REVENUES</b>				
Taxes	\$ 170,003	\$ -	\$ -	\$ 170,003
Miscellaneous	3,597	61,595		65,192
Total Revenues	<u>173,600</u>	<u>61,595</u>	<u>-</u>	<u>235,195</u>
<b>EXPENDITURES</b>				
Current:				
General Government	<u>43,320</u>	<u>-</u>	<u>-</u>	<u>43,320</u>
Excess (Deficit) of Revenues Over (Under)				
Expenditures	<u>130,280</u>	<u>61,595</u>	<u>-</u>	<u>191,875</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-	142,924	-	142,924
Operating Transfers (Out)	<u>(142,924)</u>	<u>-</u>	<u>-</u>	<u>(142,924)</u>
Total Other Financing Sources (Uses)	<u>(142,924)</u>	<u>142,924</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(12,644)	204,519	-	191,875
Fund Balances - Beginning	97,416	1,836,382		1,933,798
Fund Balances - End	<u>\$ 84,772</u>	<u>\$ 2,040,901</u>	<u>\$ -</u>	<u>\$ 2,125,673</u>

*See accompanying notes and accountant's report*

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**Statement of Changes Reconciliation to**  
**Statement of Activities**  
**For the Year Ended December 31, 2005**

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Net Change in Fund Balances of Governmental Funds	\$ 191,875
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(36,714)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	<u>(9,519)</u>
Change in net assets of governmental activities	<u><u>\$ 145,642</u></u>

*See accompanying notes and accountant's report*

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The North Utah County Water Conservancy District (the District) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

**Reporting Entity**

The North Utah County Water Conservancy District was established on February 13, 1959 to service North Utah County, Utah.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Measurement Focus, Basis of Accounting and Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 1 - SUMMARY (*Continued*)**

are recorded when the related fund liability is incurred, except for expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenue when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for financial resources used for the acquisition or construction of major capital improvements.

The District has no proprietary funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government financial statements.

**Assets, Liabilities, and Net Assets or Equity**

**A. Cash and cash equivalents**

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. District policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the District's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 1 - SUMMARY (*Continued*)**

**B. Restricted Assets**

Cash, which is restricted to a particular use due to statutory, budgetary or bonding requirements, is classified as "restricted cash" on the Statement of Net Assets and on the Balance Sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

**C. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., dams, debris basins, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	50

**D. Property Taxes**

Property taxes are assessed as of January 1<sup>st</sup> and become a lien upon the property as of that date. Real property taxes are due November 30<sup>th</sup> and personal property taxes are due on a staggered basis throughout the year.

**E. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for



**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 1 - SUMMARY (*Continued*)**

use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**G. Use of Estimates**

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

Cost of capital assets	\$ 1,885,386
Accumulated depreciation	( 1,439,023)
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i> )	<u>\$ 446,363</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Capital outlay	\$ -
Depreciation expense	( 36,714)
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$ 36,714)</u>

Another element of that reconciliation states that certain revenues reported in the statement of activities were not provided for use as current financial resources and are, therefore, not reported as revenues in the governmental funds. The net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities* is as follows:

Delinquent Property Taxes	(\$ 9,519)
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**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING**

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to December 1st, the budget officer submits to the Board a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (*Continued*)**

2. A public hearing is conducted to obtain taxpayer comments prior to adoption.
3. Prior to December 15<sup>th</sup>, the budget is legally enacted through passage of a resolution.
4. The budget officer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Capital Projects Fund, and Debt Service Fund.
6. Budgets for the General, Capital Projects and Debt Service Funds are presented on a basis consistent with generally accepted accounting principles (GAAP).
7. Budgeted amounts are as originally adopted, or as amended by the Board in December, 2005.
8. Encumbrances lapse at year end and are subject to re-appropriation. Therefore no encumbrances are included in the financial statements.

**NOTE 4 - CASH AND INVESTMENTS**

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the local government’s exposure to various risks related to its cash management activities.

**A. Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government’s deposits may not be recovered. The local government’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rule of the Utah Money Management Council. As of December 31, 2005, \$30,816 of the local government’s bank balances of \$130,816 were uninsured and uncollateralized.

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 4 – CASH AND INVESTMENTS (*Continued*)**

**B. Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2005, the local governments had investment of \$2,102,595 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**NOTE 4 - RECEIVABLES**

Receivables as of year-end for the government's general fund consist of the following:

Property Tax	\$ 5,273
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**NOTE 5 – PREPAID EXPENSES**

Prepaid expenses represent unused insurance premiums as of December 31, 2005. The insurance policies run from August 13, 2005 to August 12, 2006.

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

**Primary Government**

	<u>Balance</u> <u>6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/05</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 49,704	\$ -	\$ -	\$ 49,704
Capital assets, being depreciated:				
Infrastructure	\$ 1,835,682	-	-	\$ 1,835,682
Less accumulated depreciated for:				
Infrastructure	( 1,402,309)	( 36,714)	-	( 1,439,023)
Total capital assets being depreciated, net	433,373	( 36,714)	-	396,659
Governmental activities capital assets, net	<u>\$ 483,077</u>	<u>(\$ 36,714)</u>	<u>\$ -</u>	<u>\$ 446,363</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	<u>\$ 36,714</u>

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Utah Local Governments Trust (a public entity risk pool). All claims are submitted to the Utah Local Governments Trust, which acts as a commercial insurer. The Trust covers claims up to \$2,000,000. The District has not incurred a claim in excess of its coverage for any of the past three fiscal years

**NOTE 8 - LITIGATION**

The District is involved in legal proceedings arising out of normal operations. The outcome of these proceedings is not known at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTH UTAH COUNTY WATER CONSERVANCY DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2005**

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 142,000	\$ 185,700	\$ 170,003	\$ (15,697)
Miscellaneous	3,000	3,410	3,597	187
Total Revenues	<u>145,000</u>	<u>189,110</u>	<u>173,600</u>	<u>(15,510)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	<u>41,080</u>	<u>46,186</u>	<u>43,320</u>	<u>2,866</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>103,920</u>	<u>142,924</u>	<u>130,280</u>	<u>(12,644)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In			-	-
Operating Transfers (Out)	<u>(103,920)</u>	<u>(142,924)</u>	<u>(142,924)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(103,920)</u>	<u>(142,924)</u>	<u>(142,924)</u>	<u>-</u>
Net Change in Fund Balance	-	-	(12,644)	(12,644)
Fund Balances - Beginning	<u>97,416</u>	<u>97,416</u>	<u>97,416</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 97,416</u>	<u>\$ 97,416</u>	<u>\$ 84,772</u>	<u>\$ (12,644)</u>

*See accountant's report*